United Nations A/57/184

General Assembly

Distr.: General
2 July 2002

Original: English

Fifty-seventh session
Item 87 (a) of the preliminary list*
Sectoral policy questions: industrial development cooperation

Implementation of General Assembly resolution 55/187

Note by the Secretary-General

In accordance with General Assembly resolution 55/187 of 20 December 2000, the Secretary-General has the honour to transmit to the Assembly the report of the Director-General of the United Nations Industrial Development Organization, which provides an overview of efforts under way in the area of industrialization for development, including international cooperation in support of developing countries in this field.

* A/57/50/Rev.1.

02-47418 (E) 150802

BEST COPY AVAILABLE

Executive summary

In accordance with General Assembly resolution 55/187 of 20 December 2000, the Secretariat hereby submits the report of the Director-General of the United Nations Industrial Development Organization (UNIDO), for the consideration of the Assembly at its fifty-seventh session.

The present report focuses on the critical role of industrial development for sustainable economic development and poverty alleviation. It underlines the fact that, within the process of globalization, industrialization is one of the most dynamic factors for accelerating economic growth and social advancement, and is a decisive determinant of productive capacity-building and thus a key contributor to poverty eradication. Industry is the main source, user and diffuser of technology. It fosters technological dynamism and productivity growth. It is vital for the creation of new jobs requiring higher qualifications.

In exercising its mandate to promote sustainable industrial development, UNIDO, through its operational activities, helps to establish and improve productive capacity in developing countries and economies in transition, which stimulates growth in the industrial sector and in turn fuels expansion of trade and encourages investments, which are indispensable prerequisites of economic and social development.

The report provides an overview of UNIDO activities undertaken over the past two years in the area of industrial development, reflecting the improved technical cooperation framework, and increased programmes and project delivery as well as the rising significance of the global forum functions, performed by the organization in compliance with its renewed mandate.

The most significant change in respect of programmatic activities was the introduction and implementation of demand-driven integrated programmes, tailored to the needs of our partner countries and based on the eight UNIDO service modules.

The integrated programmes support country efforts to address poverty alleviation through industrial development by improving industrial governance and institutional infrastructure, strengthening small and medium-sized enterprises, upgrading technological capacities, enhancing skills and access to modern technology, building trade and export capabilities, adopting energy efficiency and cleaner production measures, and promoting environmental management as well as creating an enabling environment for foreign investment.

The report also describes the contribution of the agency to the integration of women in the process of industrial development, the activities for the benefit of the least developed countries and the new UNIDO technical cooperation initiatives for development.

Contents

		Paragraphs	Page
I.	Globalization and sustainable industrial development	1–11	4
II.	Response of the United Nations Industrial Development Organization (UNIDO)	12–21	5
III.	Programmatic activities of UNIDO	22–27	6
IV.	Women entrepreneurship development	28–31	6
V.	Global forum function of UNIDO and other related activities	32–48	7
VI.	Cooperation for development	49–58	9
VII.	New initiatives of UNIDO	59–67	10
VIII.	Focus on Africa and the least developed countries	68–73	11
IX.	Field presence of UNIDO	74–77	12
X.	Conclusions and recommendations	78–81	13

I. Globalization and sustainable industrial development

1. Globalization and liberalization have had a significant impact on the economic and industrial performance of developing countries, creating winners and losers. While a few developing countries have been successful in mobilizing and attracting domestic and external resources to strengthen the competitiveness of their economies and to integrate into the world economy, most developing countries have failed in achieving these objectives and have been bypassed by the globalization process.

2. In order to make globalization work for all and to accomplish the millennium development goals, special emphasis should be placed on the promotion of sustainable industrial development by building competitive industrial capacities. Globalization without creating and enhancing domestic productive capacity leads to marginalization. The present international trend towards intensified globalization and accelerated technical progress makes the role of industry even more important for economic, social and environmental development.

3. Without industrialization, a sustainable path of economic development will not be achieved. Industry, and the manufacturing industry in particular, drives economic growth. Industry provides a breeding ground for entrepreneurship, fosters technological dynamism and productivity growth, creates skilled jobs and, through intersectoral linkages, establishes the foundation for the expansion of both agriculture and services. Furthermore, prices of manufactured exports are less volatile and susceptible to long-term depreciation than those of primary goods, thus providing the potential for sustainable export growth and integration in the global industrial economy.

4. Industry plays an important role as a producer of goods for poor and socially disadvantaged groups. It helps rural areas to develop and to reduce post-harvest losses. The expansion of private sector industrial activities provides a foundation for meeting the basic human needs of the poor. Industry also produces a range of health-related products, which increase life expectancy and reduce infant mortality. Industry strengthens the infrastructure base for socio-economic advancement and plays an important role in post-war and post-emergency reconstruction and recovery. It contributes to conflict prevention and peace through job creation, poverty alleviation and social stability.

5. The problem of poverty alleviation cannot be automatically resolved by merely getting the macroeconomic and social conditions right and by opening trade and investment. Also vital are policies to ensure sustainable productivity growth with equitable distribution of the benefits. By attending to the structural aspects of industrial development, countries can greatly improve their industrial performances.

6. Strategies and polices should be tailored to developing economy needs. Focusing on small and medium-sized enterprises, and helping them link up with the global economy, agro-industries and rural industrialization, and on regional industrial development with effective participation in the regional and global value chain, can play an important role in poverty alleviation efforts.

7. Within the process of globalization, the interconnection and interdependence between industrial development and trade are increasing. International trade is important for fostering industrial growth and the structural transformation of the economy.

8. Developing countries and economies in transition should diversify away from traditional trade patterns, marked by excessive reliance on exports of raw materials and semi-processed goods and on traditional comparative advantages of raw materials and unskilled labour. Manufacturing plays the crucial role in transforming the economic structure of poor economies. It is a catalyst for shifting economies away from simple, low-value activities with poor growth prospects to activities with high productivity, increasing returns and strong growth potential.

9. In this context, special reference should be made to the United Nations Conference on Trade and Development (UNCTAD) *Trade and Development Report, 2002*,[1] which confirms the position of the United Nations Industrial Development Organization (UNIDO) that for "the majority of developing countries, sustained economic growth requires a shift in the structure of economic activity towards manufactured goods".

10. Greater emphasis should be placed on intraregional trade through higher value added products, increased specialization and effective participation in the global value chains. Under the

current phase of globalization, characterized by the rise of integrated production systems and networks across the globe and led by manufacturing firms, the role of exports of manufactured products from developing countries is increasing.

11. Global industrial value chains, linking the entire sequence of activities from raw material extraction, production, design, research and development to marketing, delivery and disposal after use, open up new avenues for developing countries' industrial capacity-building and for the structural transformation of their economies. Enterprises can link up with outsiders to acquire technologies and skills to leverage external resources for industrial development. Participation in global value chains can accelerate the process of industrial capacity-building by enterprises, but for this to be successful, and for industrial growth to be rewarding and sustainable, domestic industrial capacity-building is also a must.

II. Response of the United Nations Industrial Development Organization (UNIDO)

12. Given the critical role of industry in development and the need for government policy to support industrialization, there is also a need for an intergovernmental body such as UNIDO to provide international public goods that promote sustainable industrial development.

13. In exercising its mandate to promote sustainable industrial development, UNIDO takes up the globalization challenge directly. It helps to improve productive capacity in developing countries and economies in transition. This stimulates growth in the industrial sector, which in turn fuels trade, and encourages investment and development.

14. UNIDO has developed a response to the United Nations Millennium Declaration,[2] with special emphasis on halving extreme poverty by 2015.

15. UNIDO technical cooperation and global forum activities remain the core of its function. The two are seen as different sides of one coin. Technical cooperation experience and data feed the constant debate and planning that take place in the global forum. The global forum, in turn, plays a critical role in improving the quality of UNIDO assistance by enhancing the understanding of industry's contribution to poverty alleviation and the linking of national economies to the global economy.

16. During the biennium 2000-2001, the organization concentrated on consolidating and stabilizing the changes introduced in previous years and on refining their potential, based on the experience accumulated during their implementation.

17. The most significant change in respect of programmatic activities was the introduction and implementation of the demand-driven integrated programmes, tailored to the needs of our partner countries and based on the UNIDO service modules. UNIDO has become the first agency of the United Nations system to identify and describe clearly and accurately its technical cooperation activities based on 16 service modules and to arrange these activities accordingly. In 2001, the service modules were redesigned in line with UNIDO priorities and millennium development goals. Modalities for the delivery of UNIDO services will continue to be achieved through integrated programmes based on eight service modules, country service frameworks and stand-alone projects.

18. The integrated programmes address poverty alleviation through industrial development by improving industrial governance and institutional infrastructure, strengthening small and medium-sized enterprises, upgrading technological capacities, enhancing skills and access to modern technology, building trade and export capabilities and adopting energy efficiency and cleaner production measures.

19. Technical cooperation delivery has maintained overall stability and rose above previous levels to 84.9 million United States dollars (US$) in 2001. This figure also demonstrates a considerable increase in the efficiency of UNIDO activities. UNIDO is now able to render more assistance than in 1997 with a much smaller amount of financial and human resources.

20. The reforms have reinforced the confidence of UNIDO member States in the possibilities and capabilities of the Organization. There are no longer any countries evaluating whether or not they will remain in the Organization. On the contrary, South Africa joined UNIDO in October 2000 and Monaco is considering such a possibility. The member States are of the opinion that the progress of UNIDO with respect

to reform sets a good example for other United Nations agencies.

21. The financial situation has stabilized. The collection of the assessed and voluntary contributions has improved. Nevertheless, in order to continue its successful performance, UNIDO will need adequate financial, political and moral support from its member States.

III. Programmatic activities of UNIDO

22. Since the initiation of the first integrated programmes in 1998, confidence has grown within the Organization and among member States that the integrated approach provides the most effective framework within which to work for poverty alleviation through industrial development. The experience of UNIDO has proved that providing integrated technical cooperation that is tailored to the real needs of the country concerned, and planned and executed in collaboration with that country, is the right path to follow.

23. The last two years have seen an intensification of the commitment of UNIDO to, and its involvement in, integrated technical cooperation. Greater emphasis was placed on the quality of implementation of both integrated programmes (IPs) and stand-alone projects, with efforts to ensure their sustainability, cost-effectiveness and maximum impact.

24. A critical reassessment initiated for IPs paved the way for a dynamic refocusing and adjustment process set up to correspond to developments in client countries and to take account of donor priorities. A number of principal criteria for UNIDO operations — namely, that they be demand-driven, client-oriented and planned in the light of constant evaluation of experience in the field — were thus reinforced.

25. An important structural change aimed at streamlining the implementation of the IPs, namely, the reduction of the number of service modules from 16 to 8, became effective in 2002. This will facilitate further improvements in programmatic synergy, higher levels of teamwork and more effective outputs. As ever, these service modules represent the core competencies of UNIDO and form the building blocks for designing integrated services. Like the 16 modules used until the end of 2001, the 8 new modules are aspects of the three "Es" that are the Organization's chosen means of working for poverty eradication through industrial development: Competitive **E**conomy, Productive **E**mployment and Sound **E**nvironment. The renewed service modules are as follows:

1. Industrial governance and statistics;
2. Investment and technology promotion;
3. Quality and productivity;
4. Small business development;
5. Agro-industries;
6. Industrial energy and the Kyoto Protocol[3] to the United Nations Framework Convention on Climate Change;[4]
7. Montreal Protocol on Substances that Deplete the Ozone Layer;[5]
8. Environment management.

26. At the end of 2001, there were 44 approved integrated programmes (not including the country service frameworks for China and India), covering 40 countries with a total value of $257.1 million. In line with the priorities set by the United Nations Millennium Declaration and the Business Plan, UNIDO has paid special attention to the needs of Africa and the least developed countries. Africa accounted for 39.5 per cent of the countries covered by integrated programmes, of which 75 per cent are in sub-Saharan Africa.

27. The first regional integrated programme, which focuses on agro-industries in Benin, Burkina Faso, Guinea, the Niger, Senegal and Togo, was initiated. Another regional integrated programme is in preparation for Latin America, with a special focus on trade facilitation. For a comprehensive description of UNIDO programmatic activities in line with the service modules, the UNIDO web site may be consulted (http://www.unido.org).

IV. Women entrepreneurship development

28. Traditionally supporting the integration of women in industrial development, UNIDO places special emphasis on women entrepreneurship development within the service module "Small business development".

29. Women play a significant role in the development of microenterprises, and small and medium-sized enterprises, both as a creative and productive industrial human resource base and, increasingly, as entrepreneurs. With a view to enabling women to take advantage of business opportunities based on market mechanisms and entrepreneurial initiatives, UNIDO has a special programme for women entrepreneurship development (WED) within the scope of the UNIDO service module "Small business development". The strategic approach is (a) to focus on clearly defined target beneficiaries (location, level of operation, sectors etc.); (b) to analyse their needs and constraints vis-à-vis complex local/social realities; (c) to identify and apply tailor-made methodologies; and (d) to create alliances with other actors for the promotion of WED in a country and/or region. Capacity-building is provided not only for women entrepreneurs but also in the form of training of trainers (TOT).

30. The majority of WED programmes have been implemented in Africa with an emphasis on food-processing industries. The WED programme in the United Republic of Tanzania trains women in the areas of processing technologies for local food products, hygiene and quality control and business management and has created nearly 350 permanent jobs. A group of qualified trainers in the areas of business management, marketing and finance, processing technologies and quality control have been made available through the organization of workshops for training of trainers. Similar programmes have been formulated and/or implemented in Kenya, Malawi, Rwanda and Uganda as well as in Morocco (food-processing), Burkina Faso (textiles) and Senegal (fish-processing). Specific business development services for WED have been supported for women entrepreneurs in the Central American region, with particular emphasis on the food-processing sector. In Asia, support services to trainers and women entrepreneurs in food industries have been piloted in the northern and central regions of Viet Nam. Also, in Nepal and the Islamic Republic of Iran, training programmes adapted to the specific needs of women entrepreneurs in food-processing have been formulated. Based on the experience accumulated and lessons learned in implementing WED programmes, various tools for the promotion of WED have been elaborated on such issues as operation of support services institutions, business associations and women's groups; technical and managerial skill development; and needs assessment, monitoring and evaluation.

31. In the year 2001 alone, UNIDO undertook more than 200 Group Training Programmes for 7,877 participants, of whom nearly one third (2,494) were women.

V. Global forum function of UNIDO and other related activities

32. The Business Plan for the Future Role and Functions of UNIDO, approved by member States in 1997, recognized the global forum function as a crucial component of the mandate of UNIDO to strengthen industrial capacities in developing countries and countries with economies in transition. Under this umbrella, UNIDO offers its industry-specific contribution to the development discourse and the design of broad strategies for sustainable development and the reduction of poverty worldwide. This contribution is based, first and foremost, on target-oriented research relating to the role of industry in development and on information crucial to the promotion of industrial development, like industrial statistics. In addition to giving UNIDO a voice in the global development forum, these activities are indispensable for the formulation and the continuous adjustment to changing realities of the Organization's technical cooperation programmes. Results produced in the service of the UNIDO global forum functions are made available in the form of publications and through specialized meetings and conferences.

33. Strategic research is a vital component in the work of UNIDO. It provides a strong analytical foundation for technical cooperation and thus improves programmatic activities and enhances common understanding on the contribution of industry to poverty alleviation and on the way in which national economies are linked with one another and with the global economy.

34. In October 1999, UNIDO signed a two-year agreement with the University of Oxford whereby UNIDO undertook to fund research on African economic performance under a joint research programme. The first of its kind between UNIDO and a university of the United Kingdom of Great Britain and Northern Ireland, the agreement included funding for a two-year UNIDO research fellowship at the

University's Centre for the Study of African Economies within the Institute of Economics and Statistics. The programme has been in operation since 1 April 2000, and progress made was reviewed by a UNIDO team during its visit to Oxford in December 2000. Achievements included analytical papers on industrial performance in Ghana, Kenya, the United Republic of Tanzania and Zimbabwe based on in-depth surveys of 200-300 manufacturing firms in those countries, and joint work with researchers affiliated with the World Bank, the International Monetary Fund (IMF) and other research institutes on the links between efficiency and exports in Cameroon, Ghana, Kenya and Zimbabwe. A survey of 300 firms in Nigeria has recently been completed for creating baseline information on selected indicators of industrial performance. The research collaboration agreement is renewed for another two-year period, with the refocused research agenda.

35. Following the positive experience with the University of Oxford, cooperation between UNIDO and the National Centre for Scientific Research (CNRS) of France was developed. It includes the preparation of research papers, the appointment of UNIDO research fellows, scholarships for students from developing and transition economy countries under a UNIDO junior research fellowship programme and a bimonthly UNIDO seminar on industrial development. Eight seminar papers on emerging issues of industrial development across developing countries were presented at the bimonthly seminars.

36. In November 2001, UNIDO started the strategic research programme "Combating Marginalization and Poverty through Industrial Development" (COMPID) funded by the Danish Government. The programme addresses the reasons why many countries have not benefited from the dynamics embodied in increased economic globalization and what is required for these countries to share in the benefits and experience of environmentally sound industrial development and employment-creation.

37. In order to ensure the widest possible dissemination of knowledge and lessons learned, UNIDO pursues an active information and publications programme. The "UNIDO Staff Research Series" has published three Discussion Papers and seven Working Papers in printed and electronic form covering research of a quantitative-economic nature in the areas of industrial growth, trade and finance. The UNIDO public web site has come into its own as a link with the general public. The site recorded an increased number of visits, with the number of hits having risen to 5.9 million from 4.3 million in 2000. Some 1,600 documents are currently available online.

38. The publication of two books by the Director-General and staff members was of special importance. The first, *Reforming the UN System: UNIDO's Need-Driven Model*,[6] discusses the arguments for and against multilateral development cooperation, with particular attention to international industrial development during the post-cold war era. Furthermore the book documents how the successful transformation of UNIDO has enabled the Organization to contribute all the more effectively to the global supply of international public goods within its mandate. This was followed by another UNIDO publication, *Gearing Up for a New Development Agenda*.[7]

39. UNIDO is launching the Industrial Developments Reports — a series of publications that will address varying aspects of the pressing issues facing developing countries in their struggle to gain a foothold in the global production economy. The Reports will contribute to the ongoing dialogue on how best to support the process of industrial globalization while fighting marginalization through sustainable industrial development. Entitled *Competing through Innovation and Learning*,[8] the report 2002/2003 is the first in this series of reports and takes as its main theme the indispensable role that innovation and learning play in the process of industrial capacity-building. The Industrial Development Scoreboard, introduced in this report, reveals wide dispersion in levels of industrial development and pronounced differences in structural factors. The report shows that building industrial capacities is a long and costly process of innovation and learning, a process that many developing countries cannot accomplish on their own.

40. Together with the Organization's more specific thematic meetings, regional forums, research partnerships and publications, industrial development forums are an essential part of its reoriented global forum function.

41. The Industrial Development Forum "Fighting marginalization through sustainable industrial development: challenges and opportunities in a globalizing world", hosted by UNIDO within the framework of the ninth session of the General

Conference of UNIDO in December 2001, was one of the most important global forum events organized by UNIDO.

42. This Forum was part of an ongoing UNIDO endeavour to engage in constructive discussion on topical issues of fundamental relevance to industrial development within a continuously evolving global context. Two groups of issues were addressed: first group: technology, investment and trade; second: environment and quality (for the results of the forum, please see the UNIDO web site).

43. The Organization plays an important role in raising awareness of industrial development issues at national, regional and global venues.

44. The involvement of UNIDO in the Third United Nations Conference on the Least Developed Countries constituted an important example of the synergies between global forum and technical cooperation activities. The basis for this global forum event was provided in part by expertise in technical cooperation, which was able to pinpoint the special problems and needs of the least developed countries in the sphere of industrialization. Conversely, in the follow-up process to the Conference, global forum activities are now being transformed into technical cooperation activities to benefit the least developed countries.

45. Participating in the International Conference on Financing for Development, UNIDO positioned itself with initiatives in the area of trade facilitation and venture capital and contributed accordingly to two sections of the Monterrey Consensus of the International Conference on Financing for Development,[9] namely, section II.B entitled "Mobilizing international resources for development: foreign direct investment and other private flows" and section II.C entitled "International trade as an engine for development".

46. In the South-South cooperation context, UNIDO actively participated in the tenth meeting of the Intergovernmental Follow-up and Coordination Committee on Economic Cooperation among Developing Countries, held in Tehran in August 2001. The contribution of UNIDO featured a paper entitled "Knowledge and technological innovation in industrial development for the advancement of the South", which was circulated as an official conference document.

47. The net result of participation in the conference was to boost UNIDO cooperation with the Group of 77. The crucial importance of industrial development for poverty alleviation and the role of UNIDO in this respect were properly reflected in the final documents of the meeting. The Committee strongly supported the key role UNIDO plays in promoting sustainable industrial development in developing countries through its integrated programme approach and other activities.

48. The UNIDO Asia-Africa Investment and Technology Promotion Centre (AAITPC), inaugurated in 1999 as a follow-up to the Second Tokyo International Conference on African Development (TICAD II) and funded by the Government of Japan, seeks to foster growth of the private sector in Africa through promotion of investment from Asia.

VI. Cooperation for development

49. The success of the transformation and revitalization of UNIDO has given the Organization a new identity, opening up many new channels of activity and opportunities for cooperation. On this basis, UNIDO has continued to develop cooperation and share its positive experience of reform with others in the United Nations family and to make a distinctive and constructive contribution to the task of working towards the millennium development goals.

50. For this purpose, UNIDO has also continued to cooperate with other international organizations. Concentrating on the areas of its comparative advantage, it favours a pragmatic approach, taking practical steps only on the sound basis of concrete experience. This process is already bearing fruit, notably in the enhanced cooperation of UNIDO with UNCTAD, the International Trade Centre UNCTAD/WTO (ITC), the World Trade Organization and the Economic and Social Commission for Western Asia (ESCWA) on trade facilitation, with the Organization providing much-needed support to developing countries in the field of standardization and quality control. Cooperation with the United Nations Environment Programme (UNEP) resulted in further enlargement of the Cleaner Production Centres network.

51. In order to make a better contribution to and influence policy formulation and decision-making in the process of United Nations development operations,

UNIDO joined the United Nations Development Group in March 2002.

52. The integrated programmes and field-level emphasis of UNIDO have endowed the Organization with highly appropriate means to contribute to the UNDAF process. UNIDO representatives serve as country-level focal points for the UNDAF exercise and as members of United Nations country teams. They also participate fully in United Nations country-level meetings in the development of various system-wide approaches and play an important role in the preparation of common country assessments (CCAs). UNIDO has provided substantial inputs into the recent revision of CCAs and the UNDAF guidelines suggesting that industry and technology be correctly integrated into CCA/UNDAF.

53. The common ground shared by the European Commission (EC) and UNIDO development objectives, and the fact that both organizations receive largely similar policy guidance from their member States, have led to an increase in opportunities for EC-UNIDO cooperation. The EC sees the mandate and expertise of UNIDO as being highly relevant to the task of combating poverty by eliminating supply-side constraints and by making enterprises more competitive and environmentally sustainable.

54. One of the most significant events was the launch of the first UNIDO programme to be funded by EC. This programme, with estimated funding of €12.5 million (€ = euros), will strengthen capacities in quality and standardization in the countries of the West African Economic and Monetary Union.

55. In 2001, UNIDO began its participation in the initiative known as the Nordic Partnership. The partnership is currently developing an entirely new approach on how to integrate sustainable development into the business model, ensuring that business can take on global responsibility — socially, environmentally and financially. This will be presented at the World Summit on Sustainable Development.

56. Activities related to cooperation with other organizations increased at a noticeable pace, particularly owing to the finalization of agreements between UNIDO and the Global Environment Facility (GEF), but also to the further enlargement of the Cleaner Production Centres network carried out in cooperation with UNEP. As far as the GEF is concerned, a number of milestones were achieved among which were the cooperation agreements signed in July 2001 granting UNIDO the status of executing agency with expanded opportunities.

57. The success of UNIDO in solid waste management contributed to the decision of the Environmental Management Group to nominate UNIDO as the lead agency for its Solid Waste Issue Management Group. Based on this decision, UNIDO became the United Nations organization leading this activity at the global level.

58. UNIDO continued its business partnership programme with the private sector. With a number of leading transnational corporations, concrete projects were initiated aimed at supporting small and medium-sized enterprises in becoming better integrated into global value chains. Specifically, projects were developed in the fields of automotive components, textiles and information technology. The business partnership programme has been accompanied by advocacy and learning events,[10] action-oriented studies,[11] and the formulation of operational guidelines.[12] UNIDO continued to develop further partnership programmes within the private sector. For necessary information, the UNIDO web site can be contacted (http://www.unido.org/business-partnerships).

VII. New initiatives of UNIDO

59. In order to better respond to the changing realities, UNIDO undertook several new initiatives.

60. In line with international priorities, UNIDO continued to promote its trade facilitation initiative entitled "Enabling LDCs to participate in international trade". Activities include the three-year programme, funded by the European Union (EU), covering the core requirements of the eight member countries of the West African Economic and Monetary Union. UNIDO is awarding the West African Union initiative high priority, and it will be considered the test case for showing the quality and relevance of its services. There have been consultations on a similar programme for the Southern African Development Community (SADC) countries, which has evoked a positive response from EU. A programme was also drawn up for the Central American subregion in close cooperation with the International Trade Centre UNCTAD/WTO. UNIDO has also prepared regional trade facilitation/market

access support initiatives for the Mekong Delta and South Asian Association for Regional Cooperation (SAARC) countries.

61. In Central America, the programme will focus on the identification of conformity problems faced by three agro-industrial subsectors in export markets, on strengthening the national and regional quality support infrastructure in areas such as testing, certification and accreditation, and on building institutional capacity to assist enterprises with the adoption of international product and process standards and technical regulations. Furthermore, the programme will build capacity in the region to comply with or to contest World Trade Organization agreements, in particular the Agreement on Technical Barriers to Trade[13] and the Agreement on Sanitary and Phytosanitary Measures.[13]

62. The significance of UNIDO activities in the field can be well illustrated by its work on a safety assurance system for the fishing industry around Lake Victoria in Kenya, Uganda and the United Republic of Tanzania. This work had already started in 1999 when EU imposed a ban on Nile perch as a result of a shipment of contaminated fish. The ban reduced exports by 50 per cent and half a million people suffered partial or total loss of income. The lifting of the EU ban testified to the success of UNIDO in establishing a satisfactory organizational and regulatory framework for the industry, including a reliable fish inspection and quality control system. Further activities have led to the fish of Lake Victoria fully regaining its EU market share and expanding to new markets, such as the United States of America.

63. At the International Conference on Financing for Development in Monterrey, Mexico, 2002, UNIDO and EC jointly organized a side event on "Enabling developing countries to participate in international trade: strengthening the supply capacity". Co-chaired by the EU Commissioner for Development, the Minister for Economic Development of Burkina Faso and the Director-General of UNIDO, the event highlighted the problem of technical barriers to trade and the urgent need to assist developing countries. A UNIDO strategy document on the subject (available on the UNIDO home page) was also presented, and the Director-General announced the creation of a trust fund, as described in the strategy document, with a UNIDO contribution of $1 million.

64. By the end of the 1990s, Governments had started to use technology foresight as a policy-making tool aimed at harnessing technological innovation to support the strategic priorities of society. The role of UNIDO in technology foresight is largely that of a knowledge-broker, dealing not only with know-how, but also with know-who, know-where, know-why and know-what. UNIDO helps its clients decide what needs to change, why it has to change and the consequences of inaction.

65. In 1999, UNIDO and the Trieste-based International Centre for Science and High Technology (ICS) launched a regional programme for Latin America and the Caribbean to promote, encourage and support technology foresight initiatives.

66. The year 2001 brought an expansion of UNIDO activities in the technology foresight initiative, now in its third year. In Latin America and the Caribbean, where Peru had joined the programme in 2001, it continued dynamically with the formation of national teams in a number of countries to develop the initiative at the national level in the fields of biotechnology and energy. A knowledge repository has been built up for the region through the project's information portal.

67. In cooperation with Hungary, the programme was extended to Central and Eastern Europe and the newly independent States. A major event was the regional conference on technology foresight at Budapest, convened as a follow-up to the initiative launched in 2000. The meeting provided basic knowledge on methodologies and on the application of technology foresight tools in strategic decision-making for technological development, with particular reference to the UNIDO initiative for the region, which has a particular relevance in view of the challenges presented by accession to EU.

VIII. Focus on Africa and the least developed countries

68. Africa and the least developed countries have always been in the focus of UNIDO activities. To highlight the importance of UNIDO involvement in system-wide cooperation and to present the UNIDO strategic vision of development for Africa and the least developed countries, UNIDO actively participated in the Third United Nations Conference on the Least Developed Countries and in the 2001 high-level

segment of the Economic and Social Council on the role of the United Nations system in supporting the efforts of African countries to achieve sustainable development and related events. The constructive involvement of UNIDO resulted in recognition of the key role of productivity and industry for sustainable growth and poverty alleviation in the region. Synergy and coordination with other partners were strengthened.

69. UNIDO continued its efforts to refocus and adjust its activities to the new realities of development cooperation and to integrate its assistance within the framework of United Nations programmes in Africa. Thus, the Organization participated actively in the Third Annual Regional Consultations of United Nations Agencies Working in Africa (October 2001, Addis Ababa), where it brought forth its views on meeting the challenges of the continent's development and the UNIDO response thereto within the New Partnership for Africa's Development (NEPAD) framework. UNIDO also contributed to the African Economic Integration Conference: The Pivotal Role of the Private Sector (November 2001, Accra), which served as a global forum event to boost private sector growth.

70. A policy-level highlight of the UNIDO biennial cycle is the Conference of African Ministers of Industry (CAMI), which is organized jointly with the Economic Commission for Africa (ECA) and the former Organization of African Unity (OAU) (now the African Union) and meets prior to sessions of the General Conference of UNIDO. The fifteenth CAMI, and its subsidiary organ, the Intergovernmental Committee of Experts of the Whole on Industrialization in Africa, met at Yaoundé, in October 2001. Acknowledging the key role of UNIDO in the industrialization of Africa, CAMI-15 requested the Organization to continue to give high priority to African countries in the formulation and timely implementation of integrated programmes; to assist in stepping up inter-African cooperation; and to step up the organization of high-level work visits and study missions to rapidly industrializing African countries in order to implement tripartite initiatives. CAMI also mandated the executive heads of ECA, OAU and UNIDO, in cooperation with other agencies, to vigorously pursue the relevant objectives set in NEPAD. In cooperation with CAMI, UNIDO is organizing a number of subregional meetings for identifying subsectoral priorities to promote regional integration in line with NEPAD goals and objectives.

71. Reflecting the continued commitment to the industrial development efforts of the continent, 14 integrated programmes were under implementation in sub-Saharan Africa (Burkina Faso, Côte d'Ivoire, Eritrea, Ethiopia, Ghana, Guinea, Madagascar, Mali, Mozambique, Nigeria, Rwanda, Senegal, Uganda and the United Republic of Tanzania) with a combined planning figure of $101.5 million. Sub-Saharan African countries account for 31 per cent of UNIDO integrated programmes, reflecting the importance accorded to the region.

72. In Africa and the least developed countries, UNIDO focuses on poverty alleviation through productive capacity development in agro-industry and the manufacturing sectors by promoting competitive microenterprises, and small and medium-scale enterprises and by upgrading competitiveness, enhancing productive capacity, stimulating innovations and increasing the level of incomes through a process of industrialization that is compatible with sustainable development.

73. UNIDO launched its first regional integrated programme for Africa, covering initially Benin, Burkina Faso, Guinea, the Niger, Senegal and Togo. Targeting agro-industries in West Africa, the programme will upgrade capabilities of civil society organizations that provide service to micro- and small industries — particularly in rural areas — in selected agro-industrial subsectors.

IX. Field presence of UNIDO

74. The field presence of UNIDO is an important factor with respect to promoting and supporting technical assistance in order to encourage national capacity-building for industrial development at the level of government, the public sector, industrial associations and enterprises. This in turn encourages local ownership of integrated programmes.

75. UNIDO continued the gradual progression of its transformation from a predominantly headquarters-type organization into an organization with a more enhanced field component. A stronger emphasis was placed on regional offices. By the end of 2001, UNIDO was maintaining 18 country and 10 regional offices.

76. An in-depth analysis of the current situation of field offices and their contribution to technical cooperation delivery was carried out in 2001. The study highlighted the fact that the role of the UNIDO field offices was basically one of providing support to team leaders and project managers in the formulation and delivery of integrated programmes. Only rarely were field offices the driving force in technical cooperation development. This situation reflected the way technical cooperation delivery had been structured and managed, with compilation of programmes and projects perceived to be the prerogative of project managers.

77. The survey also revealed a growing interest in a more dynamic field representation. In countries with no field representation, team leaders felt strongly the need for a field office that would help them identify the main programme components and local partners. Similarly, local counterparts also expressed a desire for more proactive field offices.

X. Conclusions and recommendations

78. **Globalization that triggers accelerated technological progress makes the role of industry in achieving sustainable economic and social development and in combating poverty and marginalization even more important. For developing countries it is a powerful engine of economic growth a structural transformation. Hence, internatic industrial cooperation is extremely vital for their economies. In this context, it is necessary to create a favourable international and national environment for the industrialization of developing countries starting with designing adequate industrial policies and strategies at the national and regional levels. Industrialization policies should, inter alia, encompass such issues as: capacity-building in the industrial sector, especially in agro-industries, for more competitive products, higher productivity and upgraded quality; measures to boost foreign investment; small and medium-scale entrepreneurship development; trade facilitation measures, including institutional support, leading to expanded market access; facilities for technology transfer and acquisition; energy sector development and rational use of energy resources; and promotion of a cleaner production culture to make manufacturing activities friendly to the environment. At the regional level, more emphasis should be put on cross-border industrial cooperation governed by the principle of economy of scale, complementarities, comparative advantages and exchange of experiences.**

79. **In exercising its mandate to promote industrial sustainable development, UNIDO has developed an integrated programme approach, which proved to be an effective framework for capacity-building as a prerequisite of poverty alleviation. Based on that, UNIDO should continue improving its programmatic activities in order to help developing countries, especially the least developed countries, to build up human and institutional capacities and capabilities, to enhance market access, to promote investment and technology transfer, to achieve small and medium-scale entrepreneurship development with special attention to women entrepreneurs, to develop agro-industries and to strengthen environment-related activities. Responding adequately to the changing realities, UNIDO is encouraged to continue developing new initiatives to help developing countries and economies in transition to meet their urgent needs.**

80. **The global forum function of UNIDO should be further developed in order to enhance common understanding of global and regional industrial sector issues and its contribution to poverty alleviation within the process of globalization and the linking of national economies with the global economy, as well as to ensure the updating of its programmatic activities. The positive experience of UNIDO in its restructuring, its best practices and activities could be used as a good example for other United Nations system organizations facing the process of reform.**

81. **With its central coordinating role within the United Nations system in the field of sustainable industrial development, UNIDO should continue to strengthen cooperation with the rest of the United Nations system, at both the headquarters and the field levels, to optimize and enhance, as appropriate, the field presence so as to ensure that it is well targeted, efficient and effective. As a new member of the United Nations Development Group, UNIDO is encouraged to promote its activities aiming at achievement of the millennium declaration goals, in compliance with its mandate.**

Notes

[f] United Nations publication, Sales No. E.02.II.D.2.

[g] See General Assembly resolution 55/2.

[h] FCCC/CP/1997/7/Add.1, decision 1/CP.3, annex.

[i] United Nations, *Treaty Series*, vol. 1771, No. 30822.

[j] Ibid., vol. 1522, No. 26369.

[k] Vienna and Dordrecht, Netherlands, UNIDO and Kluwer Law International, 2001.

[l] Vienna, UNIDO, 2001.

[m] Vienna, UNIDO, 2002.

[n] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[o] See *UNIDO Partnership with Private Business: Rationale, Benefits, Risks and Approaches*, proceedings of an expert group meeting held at the Vienna International Centre on 30 and 31 October 2000 (Vienna, UNIDO, 2001).

[p] See *Integrating SMEs in Global Value Chains: Towards Partnership for Development* (Vienna, UNIDO, 2001); and "Corporate social responsibility: implications for small and medium-sized enterprises in developing countries", UNIDO, Vienna, 2002.

[q] "UNIDO business partnerships for industrial development", UNIDO, Vienna, 2002.

[r] See *Legal Instruments Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994-7).